IN THE

Supreme Court of The United States

OCTOBER TERM, A. D. 1943.

Nos. 54, 55.

THE MERCOID CORPORATION,
Petitioner,

vs.

MID-CONTINENT INVESTMENT COMPANY and MINNEAPOLIS-HONEYWELL REGULATOR COMPANY,
Respondents.

BRIEF FOR PETITIONER.

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MC CORMICK AND HENDERSON, INC.

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OPINION OF THE COURT BELOW

The Findings of Fact and Conclusions of Law of the District Court for the Northern District of Illinois, Eastern Division, were filed January 6th, 1942 (R. 736), and the decree entered pursuant thereto (R. 744) on January 26th, 1942.

The opinion of the Circuit Court of Appeals for the Seventh Circuit was filed December 23rd, 1942 (R. 909), and its judgment pursuant thereto was entered on the same date (R. 923). It is reported in 133 F. 2d 803.

NOTE: Emphasis, unless otherwise stated, is ours. The petitioner will be designated Mercoid and the respondents, Mid-Continent and Minneapolis-Honeywell.

STATEMENT OF GROUNDS OF JURISDICTION.

This is a suit arising under the patent laws, 28 U.S.C. Sec. 41(7); under the Declaratory Judgment Act, 28 U.S.C. Sec. 400, and under the Anti-Trust laws, 15 U.S.C. Sec. 15.

The jurisdiction of this Court is invoked under 28 U.S.C. Sec. 347.

CONCISE STATEMENT OF THE CASE.

This is a suit brought originally by the respondent, Mid-Continent, for contributory infringement of Cross patent No. 1,758,146, issued May 13, 1930, for a domestic heating system (R. 780). The complaint was filed September 10th, 1940 (R. 2). Petitioner's acts complained of are the making and selling of an unpatented thermostatic control for use by others in installing the patented heating system. In its Answer, petitioner denied validity (R. 9) and contributory infringement (R. 10), and in a Counterclaim for a Declaratory Judgment charged respondent, Mid-Continent, with improper use of its patent and violation of the Anti-Trust laws (R. 12).

On February 1, 1941, upon motion by petitioner (R. 22), respondent, Minneapolis-Honeywell, exclusive licensee under the said Cross patent No. 1,758,146, was made a party plaintiff with Mid-Continent (R. 26). On April 3, 1941, petitioner amended its Answer and its Counterclaim to include Minneapolis-Honeywell as a party plaintiff, and in its Counterclaim for a Declaratory Judgment charged respondents, Mid-Continent and Minneapolis-Honeywell, with conspiring to establish a monoply in a device not covered by the patent in suit in restraint of trade and in violation of the Anti-Trust laws (R. 44).

On January 6, 1942, the District Court entered Findings of Fact and Conclusions of Law (R. 736) that petitioner did not contribute to the infringement of the said Cross patent;

that respondents had in collusion combined with each other in the sale of combustion stoker switches not covered by the said Cross patent; that respondent, Mid-Continent's method of doing business falls within the condemnation of *Carbice Corporation* v. *American Patents Development Corp.*, 283 U.S. 27, and *Leitch Mfg. Co.* v. *Barber Company*, 302 U. S. 458; that the patent is being utilized to gain a monopoly beyond its legitimate scope; that respondent, Mid-Continent, is not in a position to maintain this suit; that the exclusive licensee, respondent Minneapolis-Honeywell, conspired with Mid-Continent to establish a monopoly in an unpatented appliance beyond the scope of the patent in suit in violation of the Anti-Trust laws; that respondents' combination constitutes a restraint of trade, an attempt to monopolize, and monopolization under Title 15, Sections 1 and 2, U.S.C.A., and that the petitioner is entitled to injunctive relief under Title 15, Sec. 15, U. S. C.A. (R.742).

Thereafter, on January 26, 1942, a decree was entered dismissing the complaint and granting a perpetual injunction against respondents but dismissing the counterclaim insofar as it related to the collection of damages (R. 744).

An appeal (R. 748) and cross-appeal (R. 759) were duly taken by the respondents and the petitioner to the United States Circuit Court of Appeals for the Seventh Circuit, which on December 23, 1942 affirmed the judgment of the District Court in disallowing damages under the Counterclaim, and in all other respects reversed the District Court's rulings. (R. 923)

A petition for rehearing was filed (R. 926), and denied March 27, 1943 (R. 927). A petition to this Court for a writ of certiorari was duly filed and granted June 1, 1943. (R. 932)

ERRORS RELIED UPON.

The Circuit Court of Appeals erred:

(1) In holding that the respondents, in endeavoring to monopolize under their patent an unpatented device, have not so used their patent as to be denied relief.

(2) In holding that respondents may restrain as a contributory infringer petitioner who makes and sells an unpatented part for use by the purchaser in practicing the patented invention.

(3) In holding that the acts of respondents in requiring licensees to purchase an unpatented part from them and thereby prohibit the purchase of such unpatented part from competitors, do not tend to create a monopoly in violation of the Anti-Trust laws.

(4) In holding that it was not concerned in the validity of the patent in suit as it was convinced that the protection of the public interest was not warranted.

SUMMARY OF ARGUMENT.

(1) The Circuit Court of Appeals, in holding that the respondents' method of doing business does not preclude the relief sought, is in conflict with the decisions of this Court in *Carbice Corp.* v. *American Patents Corp.*, 283 U. S. 27, *Leitch Mfg. Co.* v. *Barber Co.*, 302 U. S. 458, *B. B. Chemical Co.* v. *Ellis*, 314 U. S. 495, and *Morton Salt Co.* v. *G. S. Suppiger Co.*, 314 U. S. 488, and in conflict with the judgments of the Circuit Courts of Appeals for the First, Second, Third, Fourth, Fifth, Sixth and Seventh Circuits in *J. C. Ferguson* v. *American Lecithin Co.*, 94 F. 2d 729; *The Philad Co.* v. *Lechler Laboratories*, 107 F. 2d 747; *Barber Asphalt Co.* v. *La Fera Grecco*, 116 F. 2d 211; *Sylvania Ind. Corp.* v. *Visking*, 132 F. 2d 947; *Novadel-Agene* v. *Penn*, 119 F. 2d 764; *Barber-Colman Co.* v. *National Tool Co.*, 58 USPQ 2, and *American Lecithin Co.* v. *Warfield Co.*, 105 F. 2d 207.

(2) The Circuit Court of Appeals, in holding contributory infringement, did not follow this Court's decisions in *Carbice Corp. v. American Patents Corp.*, 283 U. S. 27; *Leitch Mfg. Co.* v. *Barber Co.*, 302 U. S. 458, and *Morton Salt Co.* v. *G. S. Suppiger Co.*, 314 U. S. 488, 491, but relied upon a misapprehension of this Court's earlier decision in *Leeds & Catlin Co.* v. *Victor Talking Machine Co.*, 213 U. S. 325.

(3) The Circuit Court of Appeals in holding that the acts of the respondents in prohibiting the purchase from competitors of an unpatented part do not tend to create a monopoly in violation of the Anti-Trust laws, is in conflict with the judgment of the Circuit Court of Appeals for the Third Circuit in *RCA* v. *Lord*, 28 F. (2d) 257, and inconsistent with the judgments of this Court in *United Shoe Machinery Co.* v. *U. S.*, 258 U. S. 451, 460; *Carbice Corp.* v. *Am. Patents Corp.*, 283 U. S. 27, 31; *Ethyl Gasoline Corp.* v. *U. S.*, 309 U. S. 436, 456, and *Morton Salt Co.* v. *G. S. Suppiger Co.*, 314 U. S. 488.

(4) The protection of public interests demands that the patent in suit be declared invalid as covering nothing more than mechanical skill applied to prior art available to the public, in view of the judgments of this Court in *Densmore* v. *Scofield*, 102 U. S. 375, 378; *Haughey* v. *Lee*, 151 U. S. 282, 285; *Paramount Publix Corp.* v. *American Tri-Ergon Corp.*, 294 U. S. 464, and *Muncie Gear Works, Inc.* v. *Outboard, Marine & Mfg. Co.*, 305 U. S. 759, 768.

ARGUMENT.

Cross Patent in Suit (R. 778).

The Cross patent in suit No. 1,758,146, granted May 13, 1930, is for a system of automatically controlling the operation of a coal stoker in connection with a warm air heating plant of a home. The normal operation of the stoker to supply, or discontinue the supply of, heat in the dwell-

ing is controlled by a room thermostat. The fire is prevented from going out, during long periods of inactivity of the room thermostat during mild weather, by a separate thermostatic control actuated by predetermined minimum temperature of the combustion space of the furnace. The thermostatic control which prevents the fire from going out is referred to in the testimony as "a hold-fire control" and as "a combustion stoker switch."

The only novelty in the Cross patent is the provision of a thermostatic control as an additional element in a domestic heating plant to prevent the fire from going out.

Walter M. Cross, Jr., a witness for respondents, testified as follows:

> "Q. And that specific item, which was the stoker switch, was really the heart of this invention?
>
> "A. That is true.
>
> "Q. And that is what the Cross patent really added to the prior art?
>
> "A. That switch and its connections into the system with the thermostat and stoker." (R. 108.)
>
> * * * * * *
>
> "Q. I believe you stated that the stoker switch was the heart of this Cross system patent, did you not?
>
> "A. Yes.
>
> "Q. Did Walter M. Cross invent the heart of this system?
>
> "A. He invented the system.
>
> "Q. But he did not invent the heart?
>
> "A. He invented no control, no.
>
> "Q. Then the stoker switch, as you have referred to it, was not the invention of Walter M. Cross?
>
> "A. That is true." (R. 112.)

For convenient reference, Figures 1 and 2 of the patent in suit are here reproduced.

May 13, 1930. W M CROSS 1,758,146

DOMESTIC HEATING SYSTEM

Filed Nov 11, 1926 3 Sheets-Sheet 1

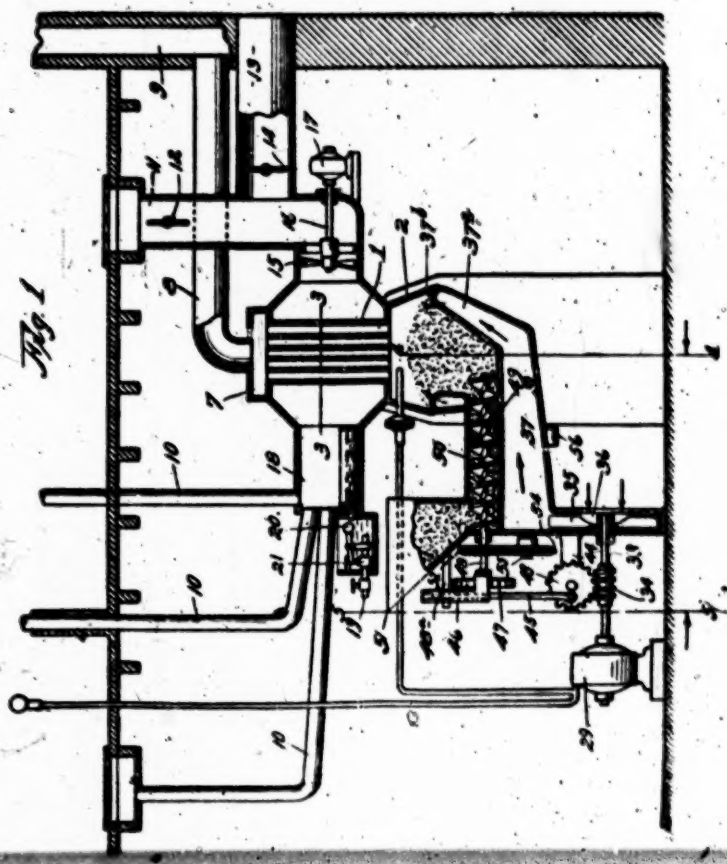


Fig. 1

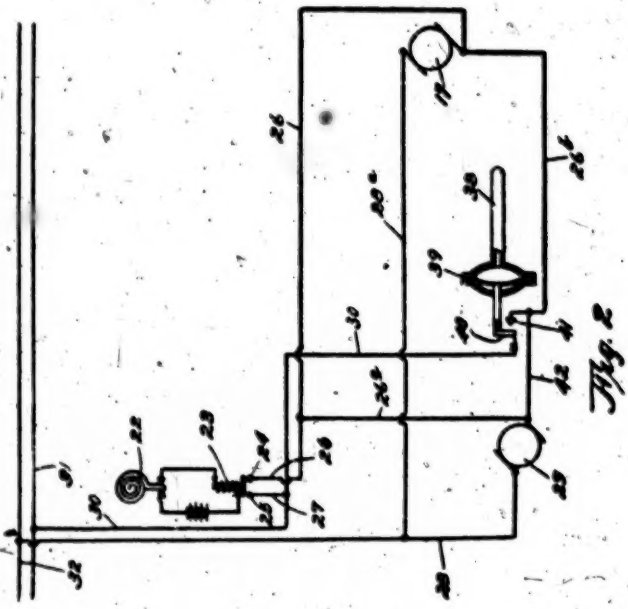


Fig. 2

Figures 1 and 2 illustrate and the specification describes a warm air furnace, an electrically driven coal stoker, a room thermostat 22 in the electric circuit between the stoker motor 29 and the power lines 31 and 32, and a separate thermostat 38 responsive to temperature within the furnace connected in circuit between the source 31 and 32 and the stoker motor 29, whereby the normal operation of the coal stoker is controlled by the room thermostat, and whereby, when the room thermostat is open, the circuit to the stoker motor will be closed by the separate thermostat 38 when the temperature within the furnace indicates the fire is about to go out.

While the Cross patent definitely states that the thermostatic control is actuated by a predetermined minimum temperature in the combustion space of the furnace, the disclosure of the control in the specification and drawings is quite general, it being merely referred to as a thermo-couple and illustrated diagrammatically.

The specification states:

> "To prevent the fire from being entirely extinguished during the periods when the system is shut off for any considerable length of time, a thermo-couple 38, shown in Figs. 1 and 2, is positioned in the combustion space of the furnace, just above the fire zone, and this thermo-couple is set at a predetermined temperature which temperature is regulated to operate the fuel feed and force drafts sufficiently to prevent total extinguishment of the fire." (p. 2, lines 22 to 32.)
>
> . . . . . .
>
> "The system in combination with automatic stoker regulated simultaneously by a dual or double thermostatic control, which prevents the extinguishment of the fire and maintains a proper room temperature, comprises briefly the features of the system." (p. 3, lines 53 to 58.)

Claim 1 is typical of the five claims of the Cross patent and divided into its elements reads as follows:

"1. A heating system comprising

a combustion pot,

means for feeding fuel thereto

a combustion space above the combustion pot,

means controlled by the temperature of the rooms to be heated for automatically regulating the fuel feeding means, and

a separate thermostatic control actuated by predetermined minimum temperatures in said combustion space for preventing extinguishment of the fire when operating under low heat requirement conditions." (R. 785.)

Warm air furnaces, motor operated coal stokers, and room thermostats controlled by the temperature of the rooms to be heated for turning off and on the coal stoker, were all old in the art. Thermostatic controls were well known and in use long prior to the Cross alleged invention, and even that diagrammatically shown and described in the Cross patent was not invented by Cross (R. 112).

The District Court found the combustion stoker switch illustrated in the Cross patent is of the same appearance, construction and operation as the Mercoid Figure 37 (R. 509) temperature responsive limit switch on the market prior to 1925, and the Mercoid Figure 50 (R. 511) temperature responsive limit switch was also placed on the market at the same time (R. 737).

The domestic heating system disclosed and claimed in the Cross patent comprises the elements shown in the wiring diagram of Fig. 2 of the patent, which illustrates the particular arrangement of the stoker motor 29, the room

thermostat 22 and the separate thermostatic combustion stoker switch 38 in the electric circuit to prevent the extinguishment of the fire.

Respondents admit that the Cross patent does not cover an individual control. Respondent, Minneapolis-Honeywell, in its letter to the trade of February 25th, 1932, Defendant's Exhibit HH, regarding the two Cross patents, one of which is in suit, stated that:

> "*These patents do not cover individual controls as such*, but rather, the system or method of preventing the extinguishment of the fire when operating under low heat requirements by means of a system of control. * * *
>
> "*Because these patents cover a system involving the controls and the stoker and not the controls alone*, we have worked out a special plan whereby a license under these patents can be granted by us to the purchaser." (R. 649.)

Neither of the respondents nor petitioner makes or installs the Cross system. Respondent, Minneapolis-Honeywell, and petitioner are competitors in making and selling thermostatic controls for use by the purchasers as stoker switches in installing the Cross system.

Respondents Are Monopolizing an Unpatented Thermostatic Control.

The respondents have collaborated in acts intended to monopolize under the Cross patent for a domestic heating system, an unpatented part of the system, namely, a thermostatic control 38, *per se* old and in use years prior to the alleged invention of Cross. On December 23rd, 1931, Coal-O-Matic Co., predecessor of respondent Mid-Continent, and Butler Manufacturing Co., the then exclusive licensee under the Cross patent in suit, granted to the respondent, Minneapolis-Honeywell, an exclusive license, to-

gether with the right to grant sublicenses (Pl. Exhibit No. 6, R. 450), requiring payment by Minneapolis-Honeywell, and its sub-licensees, of a *royalty of "Five Percent (5%) of the net sales price of each combustion stoker switch; provided, however, the minimum royalty per switch shall not be less than Seventy Five Cents (75¢).*" (Paragraph 3, R. 452.)

The said license agreement further provided that "said switches shall be considered to be sold when billed out, or if not billed out, then when delivered, or when paid for, if paid for before delivery; * * *" (Paragraph 8, R. 453).

Prior to 1931, Minneapolis-Honeywell had designed a thermostatic control adapted for use in the Cross system (R. 67, 428), and obviously desiring to prevent competitors from selling thermostatic controls for use in installing the Cross system, acquired the exclusive license under the Cross patent, and since then, with the cooperation of respondent, Mid-Continent, has used the patent to monopolize unpatented thermostatic controls adapted for use in the Cross system.

On July 19th, 1933, Minneapolis-Honeywell granted a sub-license (R. 719), later terminated December 31, 1938 (R. 43), to Detroit Lubricator Company under the Cross patent, requiring the payment of a *royalty of* $1.25 *on each "combustion stoker switch" sold by or for it.* The sub-licensee was required (R. 726) to mark each combustion stoker switch with the notice:

> "Patent Notice: *This control carries with it a license to use a system* of preventing extinguishment of the fire when operating under low heat requirement conditions as *covered by patents numbers* 1,758,146 or 1,758,157 and/or 1,882,341, as the case may be."

In September, 1935, Mid-Continent, although it had granted an exclusive license to Minneapolis-Honeywell under the Cross patent in suit, attempted to grant a license

to petitioner, as evident from the letters to petitioner, Mercoid Corporation, of September 16th, 1935 (R. 684), from Minneapolis-Honeywell, and of September 17th, 1935, from Mid-Continent (R. 685). Pursuant to such letters, Minneapolis-Honeywell on November 6th, 1935, submitted to petitioner a proposed license (Defendant's Exhibit QQ, R. 689), which provided for the payment by petitioner to Minneapolis-Honeywell of a *minimum earned royalty* (**$1.25**) *for each combustion stoker switch "sold by or for it,"* and requiring quarterly statements "showing all sales made of such switches," the switches to be regarded as sold when billed out, delivered or paid for, if paid for before delivery. The proposed license required petitioner to mark each combustion stoker switch made and sold by it as follows:

> "Patent Notice: *This control carries with it a license to use a system* of preventing extinguishment of the fire when operating under low heat requirement conditions as *covered by patents numbers* 1,758,146 or 1,758,147 and/or 1,969,136, as the case may be."

Petitioner declined to accept the proposed license under the Cross patent.

On December 31st, 1938, the exclusive license to the Butler Manufacturing Company having been terminated (R. 459) and the 1931 exclusive license to Minneapolis-Honeywell having been cancelled, a new exclusive license was granted by respondent, Mid-Continent, to Minneapolis-Honeywell (R. 458), similar to the 1931 license, requiring Minneapolis-Honeywell, and any sub-licensees, to pay Mid-Continent a *royalty of 5% of the total net sales of combustion stoker switches*, such switches to be considered "sold when billed out, or if not billed out, then when delivered, or when paid for, if paid for before delivery."

During February, 1932, respondent, Minneapolis-Honeywell, sent out letters to the trade regarding Cross patents

1,758,146 and 1,758,147 (R. 648) containing the following statements:

Re "Cross" Patents.

"*These patents do not cover individual controls as such, but rather, the system or method of preventing the extinguishment of the fire* when operating under low heat requirements by means of a system of control which is responsive to either the temperature of the combustion gases or the temperature of the water in the boiler.

"*Because these patents cover a system involving the controls and the stoker and not the controls alone,* we have worked out a special plan whereby a license under these patents can be granted by us to the purchaser. *Each of the special stoker controls,* namely the 'Stokerswitch' and 'Holdfire Control,' *will carry on its nameplate the following legend.*

"'*This Stokerswitch and or Holdfire Control carries with it a license to use the system of preventing extinguishment of the fire* when operating under low heat requirement conditions as covered by patent No. 1,758,146 and or 1,758,147.'

"*This will be notice to the purchaser that, through the inclusion of one of these units, the entire stoker installation is licensed under* one of the above named patents. We will be glad to give you any further information in regard hereto which you may wish." (R. 649.)

Thereafter, in September, 1932, respondent, Mid-Continent, sent letters to the trade which read as follows:

"*Your attention is called by this letter to patents No.* 1,758,146 *and* 1,758,147 *owned by this company.* The first of these patents covers a dual control in stoker operation providing for automatically regulating the fuel feeding means and, at the same time, automatically maintaining the fuel bed to prevent extinguishment of the fire.

"*Any method of using automatic control instruments* for preventing extinguishment of fire, if such control is 'actuated by a pre-determined minimum temperature for said combustion space for preventing extinguishment of the fire when operating under low heat requirement conditions,' *would come within the scope of this patent.*

"*The sale of* a stoker together with such an instrument or the sale of *the instrument alone* for use in the dual control of the stoker operation *constitutes infringement of these patents. We therefore suggest that in the purchase of your control instruments you ascertain if you are also purchasing rights under the above named patents, so that you will be fully protected in this matter.*" (R. 647.)

On November 21, 1932, respondent, Mid-Continent, wrote petitioner relative to notices of infringement which said respondent had sent to customers of petitioner, as follows:

"Regarding the infringement notices to the Brownell Company of Dayton, Ohio, and to the Will Burt Company of Orville, Ohio, we wish to advise that *the sale or use of any automatic stoker control* that is actuated by the predetermined temperature of the combustion space for preventing extinguishment of fires in operating low heat requirement conditions, no matter where the control is placed, *is an infringement of United States patents* 1,758,146 and 1,758,147.

"We have obtained a copy of your circular showing automatic controls for stokers and forced draft feed coal equipment. On Page 7 of this bulletin appears your, Type X-16 *Stoker Control, the sale and use of which infringes the two above patents.*

"We trust that you will immediately take all necessary steps to obtain protection under these patents, in order that you and your customers may be relieved of any liability in this matter." (R. 657.)

Thereafter, on June 2, 1934, respondent, Mid-Continent, wrote to Fairbanks, Morse & Co., a customer of petitioner, as follows:

> "*It has recently been called to our attention that you are purchasing controls* for the purpose of maintaining pre-determined minimum fire-box temperature in connection with stoker fired furnaces *from a Company not licensed by us to sell controls for this purpose.*
>
> "*We wish to make this a formal notification to you that we consider the sale and use of controls for this purpose an infringement of Cross patent number* 1,758,146." (R. 659.)

A suit instituted by respondent, Mid-Continent, against E. O. Smith, a user in his home of a domestic heating system embodying the invention of the Cross patent in suit, in the installation of which a thermostatic control made by petitioner was used, having resulted in the Cross patent being held valid and infringed (106 Fed. 2d 622), Mid-Continent wrote a letter dated November 24th, 1939, to petitioner, who had conducted the defense in the *Smith* case, containing the following language:

> "Your Company was notified by us in the year 1932 that the sale and installation of the dual thermostatic controls for maintenance of a firebed in connection with a coal stoker, and as advertised in your circulars, constituted an infringement of our patent.
>
> "It now having been adjudicated that our patent is valid, and *that you have infringed the same, before the institution of an action for damages we are writing to inquire as to whether you desire to discuss with us the question of the settlement of damages.* If so, we shall be pleased to make an appointment at such time and place as may be agreed upon, where the matter may be fully discussed.
>
> "We shall delay the institution of an action for a reasonable period of time to give you an opportunity to reply to this letter." (R. 703).

On February 5th, 1940, respondent, Mid-Continent, wrote petitioner (R. 704) suggesting that petitioner pay $5,000 on account of the Smith suit, and accept a license, and on July 15, 1940, its attorney wrote the attorney for petitioner offering petitioner a license upon payment of $5,000 for past infringement and a royalty of $1 per unit for the future. A license under the Cross patent here in suit (R. 713) was submitted to petitioner on July 23, 1940, by an attorney for Mid-Continent, in which the proposed licensee, petitioner, was to pay royalties to Mid-Continent, although it in 1938 had granted to respondent, Minneapolis-Honeywell, an exclusive license, together with the right to grant sub-licenses, under the Cross patent in suit. The said license tendered to petitioner provided that:

> "*License*: *Mid-Continent hereby grants to Mercoid a non-exclusive, non-assignable license under the said Patent No.* 1,758,146, and reissues thereof, to practice throughout the United States of America, its territories and dependencies, the invention described and claimed in said patent, and any reissue thereof; *to make, use and/or sell* throughout the United States of America, its territories and dependencies, *products or articles for use in heating systems or plants of the type described and claimed in said patent*, and any reissues thereof. No right to sublicense is given.
>
> "*Royalty*: Mercoid agrees to pay Mid-Continent One Dollar ($1.00) as *royalty for every stoker control sold by Mercoid* and employed in such a way as to come within the terms of the patent herein licensed under.
>
> "*Duration*: The license granted herein shall extend for the full term of the said United States Patent No. 1,758,146, or any reissues thereof.
>
> "*Past Infringement*: *Mercoid shall pay* to Mid-Continent, on the date that this agreement is entered into, the sum of *Five Thousand Dollars* ($5,000.00) as royalty *for past infringement of the said United States Patent No.* 1,758,146 prior to taking effect of this

agreement, and Mercoid shall thereby be released from any and all liability for past infringement of said patent." (R. 713-714.)

In the proposed license of 1940, the term "Combustion Stoker Switch" is not used, nor is there any definition of a combustion stoker switch. The combustion stoker switch is covered under the term "products or articles for use in heating systems * * * described in said patent" as specified under the terms of the license, but the term "stoker control" is employed under the heading Royalty wherein Mercoid agrees to pay Mid-Continent one dollar as a royalty for every stoker control *sold* by Mercoid and employed in such a way as to come within the terms of the patent.

On August 1st, 1940, petitioner advised (R. 707) Mr. Richard Spencer, attorney for Mid-Continent, that it did not care to accept the proposed license nor pay the sum of $5,000 in settlement of the alleged claim against petitioner.

On August 1st, 1940, the attorney for Mid-Continent acknowledged receipt of the letter of the same date from petitioner, and said:

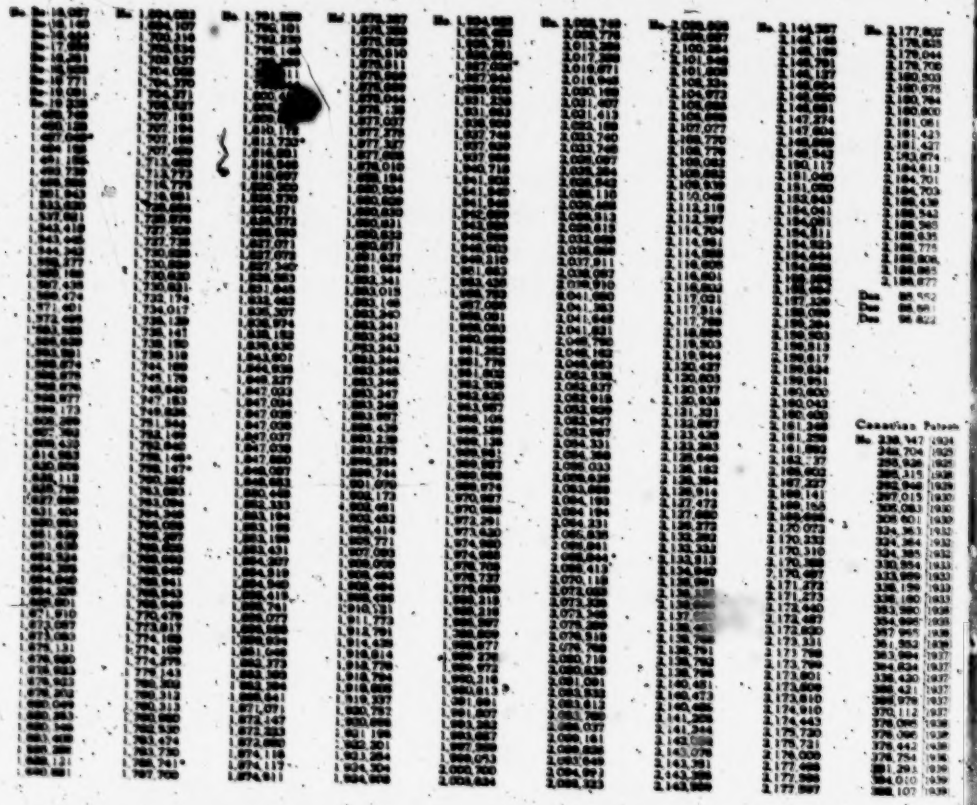
"* * * However, your letter now indicates that you never had in mind the possibility of taking out a license and prefer to stand upon your past infringement of the Cross patent. Accordingly, we are preparing to file suit against you and will *endeavor to collect royalties upon every control you have sold of a type which might possibly infringe the Cross patent*, and will ask for triple damages and costs."

* * * * * *

"Needless to say, the matter of infringement and validity is *res adjudicata* between your Company and our client, and *the suit we will bring* will not be one to find out whether or not you are entitled to practice the Cross process, but merely *for an accounting to determine how much you owe Mid-Continent for having strenuously violated their patent in the past.*" (R. 709.)

Patent Notice

Minneapolis-Honeywell Controls, Time-O-Stat Controls and Con-Tac-Tor Mercury Switches and National Regulator Controls are manufactured and sold under the following patents either owned by Minneapolis-Honeywell Regulator Company or under which Minneapolis-Honeywell Regulator Company is licensed. Other U.S. and foreign patents are pending.



*The right to use the Systems protected by the following patents is only granted to the user by Minneapolis-Honeywell Regulator Company when the particular controls as shown below are purchased from Minneapolis-Honeywell Regulator Company and used in the Systems:

Patent No.	SYSTEM	CONTROLS
1,467,089	Diaphragm Gas Valve System	Any Main Fuel Valve or Safety Pilot
1,788,168	System of maintaining Stoker Fire	*Stokerswitches
1,788,167	System of maintaining Stoker Fire	*Holdfire Controls
1,788,741	Humidifying System	Humidity Responsive Controls
1,813,732	Forced Air Furnace Control System	Furnace Fan Controls

*Trade Mark

MINNEAPOLIS-HONEYWELL REGULATOR COMPANY

Minneapolis-Honeywell, in its 1933 catalogue (Defendant's Exhibit T, R. 595) listed some two hundred and fifty patents either owned or controlled by it or under which it is licensed, followed by the statement:

> **"The right to use the Systems protected by the following patents is only granted to the user by Minneapolis-Honeywell Regulator Company when the particular controls as shown below are purchased from Minneapolis-Honeywell Regulator Company and used in the Systems:"**

The foregoing statement was supported by a list of five patents including its Cross patent in suit.

The same notice also appears (R. 598) in the 1940 catalogue of Minneapolis-Honeywell, except that the list of patents probably contains twice as many as listed in the 1933 catalogue. For convenient reference, page 40 of the 1940 catalogue is here reproduced.

Patent No. 1,758,146 is the Cross patent here in suit, and patent No. 1,813,732 is the Freeman patent involved in *The Mercoid Corp.* v. *Minneapolis-Honeywell Regulator Co.*, Nos. 58 and 59, before this Court on certiorari.

Respondent, Minneapolis-Honeywell, is using its patents for "Systems" comprising arrangements of old and unpatented devices to monopolize the unpatented devices used in the "Systems," and thereby limit competitors in their manufacture and sale of devices which they have commercialized from dates long prior to the inventions of the "Systems." If the method of exploiting its "System" patents practiced by Minneapolis-Honeywell is upheld as legal, all manufacturers of unpatented parts, such as thermostatic controls, which may be comprised in the patented "Systems," will have to further restrict their manufacture and sale of such controls each time an additional "System" patent is granted, and the public will have to discontinue obtaining controls from their usual

sources and obtain them only from sources designated by the owners of such additional "System" patents.

In the Minneapolis-Honeywell 1933 catalogue (R. 594) and its 1940 catalogue (R. 597), in describing the "Stoker-switch," appears the following:

> "PATENT NOTICE
>
> The Stokerswitches carry with them a license to use this system of preventing extinguishment of the fire when operating under low heat requirement conditions as covered by Patent No. 1,758,146."

Respondent's use of its System patents enables it to in effect extend the terms of its patents covering devices, forming parts of the subsequently patented Systems, and to curtail the right of the public to freely use inventions after the patents covering them have expired, but while the System patents are still in effect.

The foregoing acts of the respondents evince a consistent effort to monopolize under the Cross patent for a domestic heating system, an unpatented thermostatic control, and to derive their sole revenue under the patent, not through the alleged invention which it covers, but through an unpatented part capable of being used with other parts in installing the patented system, and a determined attempt to prevent competition in the manufacture and sale of an unpatented thermostatic control.

Improper Use of Cross Patent Precludes Maintenance of Suit by Respondents.

Neither respondent, Mid-Continent, nor respondent, Minneapolis-Honeywell, the exclusive licensee, makes, sells or installs heating systems. Mid-Continent does not make or sell any of the parts of the heating system, but Minneapolis-Honeywell makes and sells the "separate thermostatic control," or combustion stoker switch, for preventing the extinguishment of the fire.

Neither does petitioner make, sell or install heating systems, but makes and sells a thermostatic control adapted for use by purchasers in installing the domestic heating system of the Cross patent.

The statements in the letters to the trade, the terms of licenses granted and tendered, the notices in the catalogues that the thermostatic controls for use in the Cross heating system must be purchased from respondents, and the institution of this suit to prevent petitioner from competing in the manufacture and sale of unpatented thermostatic controls, all clearly prove that respondents have used, and are using the Cross patent for a heating system to monopolize an unpatented thermostatic control.

That the owner of a patent may not maintain a suit for infringement when its operations under the patent are such as to so expand the monopoly as to control unpatented articles, has been repeatedly held by this Court and Circuit Courts of Appeals.

This Court in *Carbice* v. *American Patents Corp.*, 283 U. S. 27, had before it a suit for contributory infringement of a patent covering a transportation package comprising a carton within which is placed ice cream or other food stuff to be shipped, and a quantity of solid carbon dioxide. This Court said:

> "*The sole business of the Dry Ice Corporation is the manufacture of solid carbon dioxide which it sells under the name of 'Drylce.' It does not make or sell transportation packages in which solid carbon dioxide is used as a refrigerant.* It does not issue to other concerns licenses to make such packages upon payment of a stipulated royalty. It does not formally license buyers of its dry ice to use the invention in suit." (pp. 29, 30.)

Each invoice for solid carbon dioxide bore a notice from which it was assumed that the Dry Ice Corporation extended to each of its customers who bought solid carbon

dioxide, a license to use the patented invention without the payment of royalty (283 U. S. 30).

The defendant, Carbice Corporation, also manufactured solid carbon dioxide, and was charged with contributory infringement because it sold its product to customers of the Dry Ice Corporation with knowledge that the dioxide was to be used by the purchaser in transportation packages like those described in the patent.

This Court said regarding the plaintiff:

> "But it may not exact as the condition of a license that *unpatented materials used in connection with the invention shall be purchased only from the licensor;* and *if it does so, relief against one who supplies such unpatented materials will be denied.*" (p. 31.)
>
> * * * * * *
>
> **"The Dry Ice Corporation has no right to be free from competition in the sale of solid carbon dioxide. Control over the supply of such unpatented material is beyond the scope of the patentee's monopoly; and this limitation, inherent in the patent grant, is not dependent upon the peculiar function or character of the unpatented material or on the way in which it is used. Relief is denied because the Dry Ice Corporation is attempting, without sanction of law, to employ the patent to secure a limited monopoly of unpatented material used in applying the invention. The present attempt is analogous to the use of a patent as an instrument for restraining commerce which was condemned, under the Sherman Anti-Trust Law, in Standard Sanitary Mfg. Co. v. United States, 226 U. S. 20."** (pp. 33 and 34.)

It is interesting to note that the unpatented refrigerant, the sale of which by the defendant was charged to constitute a contributory infringement of the patent, was:

> "one of the necessary elements of the patented product." (p. 33.)

It is also interesting to note that the defendant in selling the dioxide did so knowing that it was:

"to be used by the purchaser in transportation packages like those described in the patent." (p. 30.)

This Court in *Leitch Mfg. Co.* v. *Barber Co.*, 302 U. S. 458, followed its decision in the *Carbice* case, and held that the plaintiff was not entitled to relief because of its improper use of its patent. This Court said:

"The Barber Company brought, in the federal court for New Jersey, against the Leitch Manufacturing Company, this suit to enjoin the alleged contributory infringement of patent No. 1,684,671, dated September 18, 1928, by selling and delivering bituminous emulsion to a road builder, *knowing that it was to be used in Newark in accordance with the method defined in the claims of the patent.*" (pp. 459, 460.)

This Court said regarding the plaintiff:

"The company does not itself engage in road building, or compete with road contractors. It does not seek to make road builders pay a royalty for employing the patented method. It does not grant to road builders a written license to use the process. But it adopts a method of doing the business which is the practical equivalent of granting a written license with a condition that the patented method may be practiced only with emulsion purchased from it. For any road builder can buy emulsion from it for that purpose, and whenever such a sale is made, the law implies authority to practice the invention. On the other hand The Barber Company sues as contributory infringer a competing manufacturer of this unpatented material who sells it to a road builder for such use. Thus, the sole purpose to which the patent is put is thereby to suppress competition in the production and sale of staple unpatented material for this use in road building."

* * * * * *

"That the patent did not confer upon The Barber Company the right to be free from competition in supplying unpatented material to be used in practicing

the invention was settled by the rule declared in the *Carbice* case." (pp. 460, 461.)

This Court, after quoting from its decision in the *Carbice* Case, said:

> "It denied relief, not because there was a contract or notice held to be inoperative, but on the broad ground that the owner of the patent monopoly, ignoring the limitation 'inherent in the patent grant,' sought by its method of doing business to extend the monopoly to unpatented material used in practicing the invention. **By the rule there declared every use of a patent as a means of obtaining a limited monopoly of unpatented material is prohibited. It applies whether the patent be for a machine, a product, or a process. It applies whatever the nature of the device by which the owner of the patent seeks to effect such unauthorized extension of the monopoly. Nothing in Leeds & Catlin Co. v. Victor Talking Machine Co., 213 U. S. 325, limits it.**" (p. 463.)

In *Morton Salt Co.* v. *Suppiger Co.*, 314 U. S. 488, this Court also held that the plaintiff was not entitled to relief because it was using its patent on a machine for depositing salt tablets, to monopolize the unpatented salt tablets. The Court said:

> "The principal business of respondent's subsidiary, from which its profits are derived, is the sale of salt tablets. In connection with this business, and as an adjunct to it, respondent leases its patented machines to commercial canners, some two hundred in all, under licenses to use the machines upon condition and with the agreement of the licensees that only the subsidiary's salt tablets be used with the leased machine.
>
> "It thus appears that respondent is making use of its patent monopoly to restrain competition in the marketing of unpatented articles, salt tablets, for use with the patented machines, and is aiding in the creation of a limited monopoly in the tablets not within that granted by the patent. A patent operates to

create and grant to the patentee an exclusive right to make, use and vend the particular device described and claimed in the patent. But a patent affords no immunity for a monopoly not within the grant, *Interstate Circuit* v. *United States*, 306 U. S. 208, 228, 230; *Ethyl Gasoline Corp.* v. *United States*, 309 U. S. 436, 456, and the use of it to suppress competition in the sale of an unpatented article may deprive the patentee of the aid of a court of equity to restrain an alleged infringement by one who is a competitor." (p.491.)

* * * * * *

"It is unnecessary to decide whether respondent has violated the Clayton Act, for we conclude that in any event the maintenance of the present suit to restrain petitioner's manufacture or sale of the alleged infringing machines is contrary to public policy and that the district court rightly dismissed the complaint for want of equity." (p. 494.)

On the same day that it decided the *Morton Salt* case, this Court delivered its opinion in *B. B. Chemical Co.* v. *Ellis*, 314 U. S. 495, and said:

"*This is a companion case to Morton Salt Co.* v. *Suppiger, ante, p.* 488, *and involves the question whether the owner of a method patent who authorizes manufacturers to use it only with materials furnished by him may enjoin infringement by one who supplies the manufacturer with materials for use by the patented method and aids in such use.*" (pp. 495 and 496.)

* * * * * *

"The courts below held that petitioner's sale to manufacturers of the unpatented materials for use by the patented method operated as a license to use the patent with that material alone and thus restrained competition with petitioner in the sale of the unpatented material, as in *Carbice Corp.* v. *American Patents Corp.*, 283 U. S. 27, and *Leitch Mfg. Co.* v. *Barber Co.*, 302 U. S. 458.

"Petitioner insists that the respondents' acts of infringement, as found by the district court, were not

limited to the sale of material for use by the patented method, as in the *Carbice* and *Leitch* cases, but amounted to active inducement of infringement by the shoe manufacturers and to cooperation with their infringing acts. Petitioner argues that, even though under the *Carbice* and *Leitch* cases it has 'no right to be free from competition in the sale' of the materials, it has the right under the patent law to restrain infringement in any manner other than by the competitive sale of the unpatented materials.

"*We may assume, for purposes of decision, that respondents' infringement did extend beyond the mere sale of the materials to the manufacturers. But in view of petitioner's use of the patent as the means of establishing a limited monopoly in its unpatented materials, and for the reasons given in our opinion in the Morton Salt Company case, we hold that the maintenance of this suit to restrain any form of infringement is contrary to public policy, and that the district court rightly dismissed it.*" (pp. 497 and 498.)

The decisions of this Court in the *Carbice* and *Leitch* cases have been followed by the Courts of Appeals in the First Circuit in *J. C. Ferguson* v. *American Lecithin Co.*, 94 F. (2d) 729; in the Second Circuit in *The Philad Co.* v. *Lechler Laboratories*, 107 F. (2d) 747; in the Third Circuit in *Barber Asphalt Co.* v. *La Fera Grecco*, 116 F. (2d) 211; in the Fourth Circuit in *Sylvania* v. *Visking*, 132 F. (2d) 947; in the Fifth Circuit in *Noradel-Agene* v. *Penn.* 119 F. (2d) 764; in the Sixth Circuit in *Barber-Colman Co.* v. *National Tool Co.*, 58 U. S. P. Q. 2, and in the Seventh Circuit in *American Lecithin Co.* v. *Warfield Co.*, 105 F. (2d) 207.

The Circuit Court of Appeals in the instant case in its opinion stated:

"The only issue between Mercoid and Honeywell is whether the latter by itself, or in combination with others, attempted to use the Cross patent and monopolize an article beyond the bounds of the patent, and

thereby violate the anti-trust laws. From what we have said we are convinced that Honeywell, under this evidence, is not guilty of that charge." (R. 922),

thereby putting its stamp of approval upon a method of doing business permitting the patent owner to derive its profit not from the invention on which the law gives it a monopoly, but from the unpatented appliances used with it and wholly outside of the scope of the patent monopoly.

In supporting this holding, the Circuit Court of Appeals stated:

> "In support of Mercoid's contention to the contrary, it relies upon *Carbice Corporation* v. *American Patents Corp.*, 283 U. S. 27; *Leitch Mfg. Co.* v. *Barber Company*, 302 U. S. 458; *Morton Salt Company* v. *Suppiger Co.*, 314 U. S. 488; *American Lecithin Co.* v. *Warfield Co.*, 105 F. (2d) 207, and other kindred cases. The facts in those cases are readily distinguishable from those here. They are consistent with the ruling in the case of *Leeds & Catlin* v. *Victor*, *supra*, and are so held by the Supreme Court in the *Carbice* and *Leitch* cases, *supra*." (R. 922.)

It is submitted on behalf of the petitioner that the Circuit Court of Appeals was in error in its understanding of the decisions of this Court, and inconsistent with the interpretation and application by other Circuit Courts of Appeals of the said decisions of this Court.

The Court of Appeals for the Second Circuit in *The Philad Co.* v. *Lechler Laboratories*, 107 F. (2d) 747, 748 and 749, stated:

> "The Philad Company, owner of a patent on a process for imparting a permanent wave to the hair, patent to Mayer, reissue 18,841, brought suits for infringement against four concerns. * * * *The defendants conceded that the appliances sold by them (clamps, curling rods, pads and heaters) were of shapes and sizes that fitted them for use in operating the patented process and were sold with knowledge that customers would use them in waving hair by that process.* The

trial judge dismissed the complaints without passing on the validity of the patent. He held that the Philad Company was attempting to use the process patent to control unpatented materials and was consequently not entitled to relief.

"The Philad Company does not use the patented process, nor does it collect royalties from hair dressers for use of the process. What it does do is to issue licenses to some sixteen concerns which manufacture hair waving equipment, with authority to sublicense the process to purchasers of equipment. * * * The manufacturing concerns sell the equipment to hair dressers, in effect sublicensing them to use the patented process with the equipment. The defendants are competitors of the licensed manufacturers in the sale of hair dressing apparatus. As already stated, their apparatus is suitable for use in carrying on the patented process and is in fact so used, to the knowledge of the defendants. The apparatus, however, is not within the patent sued on. * * *

"The patent sought to be enforced is on a process of waving hair. It does not give the plaintiff a monopoly in the appliances by which the process is operated. *Yet the plaintiff's course of conduct shows plainly that the sole use made of the patent is to suppress competition in the appliances. It is not entitled to relief against those who sell such appliances without its leave.* * * *

"*In both the Carbice case and the Leitch case the emphasis was on the fact that the articles handled by the alleged contributory infringers were not covered by the patent, and on the further fact that the patentee by his method of doing business was using his patent as if it did cover such articles.* * * *for present purposes the appliances are to be taken as unpatented.*"

The said holding of the Circuit Court of Appeals in the case at bar is also in direct conflict with the judgment of the Circuit Court of Appeals for the Third Circuit in *Barber Asphalt Corp. et al. v. La Fera Grecco Contracting Co.*, 116 F. (2d) 211, 215, 216, wherein the court stated:

"The principle enunciated by the Supreme Court in *Carbice Corp.* v. *American Patents Corp., supra,* is exceedingly explicit. It holds that the owner of a patent for process may not secure a partial monopoly on the unpatented material employed in it. This is precisely the effect of the agreements and licensing plans of the plaintiffs. Accordingly the court below erred in holding that the course pursued by the plaintiffs did not create an unlawful monopoly in the sale of unpatented staple materials, viz., bituminous emulsions."

Furthermore, the Circuit Court of Appeals, speaking through Judge Sparks, in the case at bar in reversing the District Court's ruling that "Plaintiff Mid-Continent Investment Company is not in a position to maintain this suit.' *American Lecithin* v. *Warfield,* 105 F. (2d) 207 (C. C. A. 7)," is in direct conflict with its own judgment in the *American Lecithin* case, certiorari denied 308 U. S. 609, wherein, speaking through Judge Kerner, it held:

"*Thus, in the instant case, it is obvious that the sole protection sought by the patentee was of a limited monopoly for its unpatented lecithin. It did not try to obtain any income from the monopoly expressly granted by the patent itself, either by practicing the patented method or by granting licenses for a royalty. For this reason, a different light is shed upon the rights of the patentee, and for this reason relief is denied the patentee. * * * The plaintiff's method of doing business had only one purpose, the doing by indirection what was prohibited directly, i.e., the securing of a monopoly in the sale of lecithin, a commodity not coming within the boundaries of the patent owned by the plaintiff. This action the courts will not sanction.*

"We conclude, therefore, that the plaintiff's attempt to extend its patent monopoly beyond the boundaries described in the claims of the patent is condemned under the law. For this reason relief to the plaintiff is denied, and the decree of the district court is affirmed."

Furthermore, the said holding of the Circuit Court of Appeals in the case at bar is also in direct conflict with a

later judgment of the Circuit Court of Appeals for the Fourth Circuit in *Sylvania Industrial Corporation* v. *The Visking Corporation*, 132 F. (2d) 947, wherein the Court stated:

> "*The court found from these facts* that the plaintiff was making use of patents owned by it, including the patents in suit, for the purpose of securing a limited monopoly of an unpatented material, that is, plain, unprinted, regenerated cellulose sausage casings, and concluded, therefore, *that the plaintiff was not entitled to relief* in this suit even though, as the court held, the patents in suit were valid and infringed by the defendant. *This legal conclusion is in accordance with the doctrine that the use of the patent monopoly to restrain competition in unpatented material is contrary to the public policy expressed in the Constitution and laws of the United States to promote the progress of science and useful arts by securing to inventors the exlusive right to their inventions for limited times. In Morton Salt Co.* v. *Suppiger Co.*, 314 *U. S.* 488, 491, 492, *the court said*:
>
> "'* * * *It is a principle of general application that courts, and especially courts of equity, may appropriately withhold their aid where the plaintiff is using the right asserted contrary to the public interest.*'"

Contributory Infringement.

The sole act of petitioner held to constitute a contributory infringement of the Cross patent is the manufacture and sale of an unpatented thermostatic control for use as a combustion switch 38 in the domestic heating system disclosed in the Cross patent.

The petitioner and its predecessor, Federal Gauge Co., for more than twenty years have included in their business the manufacture and sale of thermostatic switches for controlling electric circuits upon predetermined high

or low temperatures (R. 185). The petitioner and its said predecessor have designed and sold thermostatic controls so constructed as to be adopted for use in any situations which may arise. As early as 1925 the Federal Gauge Company manufactured a thermostatic control (R. 737) for use in limiting the heat generated in the furnace. Some years prior to the granting of the Cross patent in suit, February 13, 1930, and even prior to the filing of the application therefor on November 11, 1926, petitioner was making and selling a thermostatic switch known as the Figure 37 (R. 509) and Figure 50 (R. 511).

Mr. Cross admitted (R. 96) that the M-51, a limiting switch (placed on the market by petitioner in 1929, R. 737), could be used as a low temperature control to maintain the fire in the same manner as the M-61 switch (R. 96), the manufacture and sale of which by petitioner is held to constitute a contributory infringement of the Cross patent in suit.

On August 20, 1930, respondent, Mid-Continent, requested petitioner to recommend a low limit control for the fireboxes of domestic stokers (R. 102). On August 28, 1930, petitioner recommended its M-53 and M-51 temperature controls to Mid-Continent Investment Company (R. 621). The M-51 thermostatic control was supplied by petitioner to its customer, the Brownell Company, for use as a low limit switch in small stokers (R. 603). The Brownell Company advised petitioner on September 5, 1930:

> "Referring to the M-51 furnace control recently shipped us, will state that it has given fairly good results, but if we can obtain same with certain improvements believe it would meet our entire requirements." (R. 605.)

On December 18, 1934, the Brownell Company wrote petitioner stating:

"If your Mr. Owens will recall, we have been using for several years your M-51 as a stack control. If your M-61 has any advantages over M-51 we will be pleased to know about it." (R. 660.)

The petitioner designed its M-61 thermostatic control so as to be better adapted as a stoker switch than its M-51, just the same as petitioner modified from time to time controls manufactured by it to meet conditions of use as they might arise.

The Circuit Court of Appeals held that the unpatented thermostatic control M-61 supplied by petitioner was especially adapted for use in practicing the patented Cross system, and that petitioner therefore was a contributory infringer. The Court of Appeals said:

"If such control cannot be used for any other purpose, that fact would not give Mercoid any right to infringe the Cross combination either directly or by contribution."

* * * * * * *

"In support of Mercoid's contention to the contrary, it relies upon *Carbice Corporation* v. *American Patents Corp.*, 283 U. S. 27; *Leitch Mfg. Co.* v. *Barber Company*, 302 U. S. 458; *Morton Salt Company* v. *Suppiger Co.*, 314 U. S. 488; *American Lecithin Co.* v. *Warfield Co.*, 105 F. 2d 207, and other kindred cases. The facts in those cases are readily distinguishable from those here. They are consistent with the ruling in the case of *Leeds & Catlin* v. *Victor*, *supra*, and are upheld by the Supreme Court in the *Carbice* and *Leitch* cases, *supra*." (R. 922.)

The Court of Appeals in so holding gave to the decisions of this Court in the *Carbice* and *Leitch* cases unwarranted limitations. In said decisions holding that defendants were not liable as contributory infringers the materials supplied by the defendants were ordinary commodities, rather than a material or part particularly adapted

for use in practicing the patented invention. The controlling consideration obviously was that the material or part supplied by defendants for use in practicing the patented inventions, was *unpatented*. In the *Carbice* decision, this Court said:

> "The Carbice Corporation also manufactures solid carbon dioxide. It is charged with contributory infringement because it sells its product to customers of the Dry Ice Corporation with knowledge that the dioxide is to be used by the purchaser in transportation packages like those described in the patent." (p. 30.)
>
> * * * * * *
>
> "*Control over the supply of such unpatented material is beyond the scope of the patentee's monopoly; and this limitation, inherent in the patent grant, is not dependent upon the peculiar function or character of the unpatented material or on the way in which it is used.*" (p. 33.)

In the *Leitch* case, this Court quoted from its opinion in the *Carbice* case, and stated relative thereto:

> "It denied relief, not because there was a contract or notice held to be inoperative, but on the broad ground that the owner of the patent monopoly, ignoring the limitation 'inherent in the patent grant,' sought by its method of doing business to extend the monopoly to unpatented material used in practicing the invention. *By the rule there declared every use of a patent as a means of obtaining a limited monopoly of unpatented material is prohibited. It applies whether the patent be for a machine, a product, or a process. It applies whatever the nature of the device by which the owner of the patent seeks to effect such unauthorized extension of the monopoly.* Nothing in *Leeds & Catlin Co.* v. *Victor Talking Machine Co.*, 213 U. S. 325, limits it."

That the decisions of this Court in the *Carbice* and *Leitch* cases were not limited in principle to the sale by the alleged contributor of an ordinary article of commerce, as distinguished from unpatented material generally, has been held by several Circuit Courts of Appeals. The Court of Appeals for the Second Circuit in *Philad Co.* v. *Lechler Laboratories, Inc.*, 107 F. (2d) 747, 748, stated regarding the said decisions of this Court:

> "It is urged that the rule of the *Carbice* case covers only an effort of a patentee to control the use of staple materials, carbon dioxide, in the *Carbice* case, bituminous emulsion in the *Leitch* case, and that the hair waving devices in the present case are not staples. There is no support for any such limitation on the rule. In both the *Carbice* case and the *Leitch* case the emphasis was on the fact that the articles handled by the alleged contributory infringers were not covered by the patent."

The Court of Appeals for the First Circuit in *B. B. Chemical Co.* v. *Ellis*, 117 F. (2d) 829, 834, reviewed the rule established by the decisions of this Court in the *Carbice* and *Leitch* cases, and said:

> "*The plaintiff seeks to prevent the application of this rule to this case by limiting the doctrine to those situations in which the alleged contributory infringer supplies staple articles of commerce. It insists that where the articles supplied are specially manufactured for use in this particular process, relief is not to be denied the patentee no matter what his course of business. It points to dry ice, bituminous emulsion, and lecithin as such staple articles.* * * *We do not consider that to have been intended as a limitation upon the doctrine of the Leitch and Carbice cases. The language of those cases is extremely comprehensive and is by no means restricted to staple articles.* * * *There is every indication that the Carbice and Leitch cases apply to specially designed non-patented articles. (Cit-*

ing authorities.) We agree with the opinion of the Second Circuit in Philad Co. v. Lechler Laboratories, supra; that the emphasis is on the fact that the articles sold by the alleged contributory infringers were not covered by the plaintiff's patent although it conducted its business as though they were."

A consideration of the decision of this Court in *Leeds & Catlin Co. v. Victor*, 213 U. S. 301, 325, clearly shows that the facts there involved are very different from those presented in the case at bar, and affords no support for the decision of the Court of Appeals.

Petitioner learned nothing from the Cross patent as to the thermostatic controls which it supplies for use by its customers in installing the Cross domestic heating system. They are not even of the same type, as diagrammatically shown in the Cross patent. This is a fact radically different from those involved in the *Leeds & Catlin* case where the contributory infringement consisted in making and selling the disc record specifically disclosed in the Berliner patent and having the structural characteristics therein described, for cooperating with the stylus of the talking machine to vibrate it laterally and at the same time move it radially of the record.

This Court in *Bassick Mfg. Co. v. Hollingshead Co.*, and *Rogers et al. v. Alemite Corp.*, 298 U. S. 415, 426, said regarding its decision in the *Leeds & Catlin* case:

> "*Leeds & C. Co. v. Victor Talking Mach. Co.*, 213 U. S. 301, 325, 53 L. Ed. 805, 815, 29 S. Ct. 495, on which the respondent relies, is not in point. There the patent was a *pioneer patent* and the combination was of *elements* which *were novel and neither of which possessed utility without the other*. Each element was necessary to the operation of the other. The invention did not, as here, consist of the mere improvement of one element of an old combination."

This Court in *Lincoln Engineering Co.* v. *Stewart-Warner Corp.*, 303 U. S. 545, 552, again commented on its decision in the *Leeds & Catlin* case as follows:

> "Berliner disclosed an *entirely novel principle;* he utilized the flat disc having a smooth bottomed groove with spiral waves in its sides not only to agitate the needle connected to the diaphragm, but, in combination with a swinging arm, to propel the needle lengthwise the groove. In *his combination, the disc not only performed a new function* but *performed it in combination with another new* element,—the *swinging arm which carried the needle.*"

It therefore is submitted that the later decisions of this Court hereinabove referred to are controlling in the case at bar, rather than the earlier decision in the *Leeds & Catlin* case, in which the facts were strikingly different from those in the case at bar and those involved in the more recent decisions of this Court hereinabove referred to.

The holding of the Circuit Court of Appeals in the instant case that as the thermostatic control manufactured and sold by petitioner "cannot be used for any other purpose" than as a stokerswitch in the Cross domestic heating system (although a misstatement of fact), and therefore constitutes contributory infringement, is at variance with the decisions of this Court in the *Carbice* and *Leitch* cases, and directly contrary to the interpretation given to the said decisions of this Court by the Court of Appeals for the First and Second Circuits.

While many decisions favorable to defendants charged with contributory infringement of patents have been primarily based upon the improper use of their patents by the plaintiffs, yet some of them have clearly held that one who furnishes an unpatented part knowing it will be used by the purchaser in connection with other parts to infringe a patent, is not legally a contributory infringer of the patent.

The Court of Appeals for the Second Circuit in *Philad* v. *Lechler*, 107 F. (2d) 747, 748, stated with reference to the decisions of this Court in *Carbice* v. *American*, 283 U. S. 27, and *Leitch* v. *Barber*, 302 U. S. 458:

> "*Obviously these decisions present an important limitation on the doctrine of contributory infringement as formerly understood.* * * * On contributory infringement the distinction at present is between the case where an owner of a patent exploits it in the ordinary manner and the case where he employs it primarily as a means of suppressing competition in unpatented materials used in connection with it. The present cases are obviously of the latter type."

The Court of Appeals for the First Circuit in *J. C. Ferguson Co.* v. *American Lecithin Co.*, 94 F. (2d) 729, reviewed the decision of this Court in the *Carbice* and *Leitch* cases, and said:

> "The plaintiff does not issue licenses under the Working patent; it sells lecithin and it notifies users of lecithin that if they use in candymaking lecithin bought elsewhere they will be sued for infringement of the patent. The defendant deals inter alia in lecithin. It sells it to manufacturers of candy knowing they intend to use it in making chocolate candy. In order to prevent such sales the present suit for contributory infringement was brought. The purpose of the suit is to establish a monopoly by the plaintiff in the sale of lecithin for use in the products and the process described in the patent."
>
> * * * * * *
>
> "*Under the law as it now stands it seems clear that a patent on a process, a product, or a 'composition of matter,' may not be extended, under the doctrine of contributory infringement, to monopolize the sale of unpatented staple material, used in such product, process, or composition. Broad expressions as to contributory infringement used in earlier cases relied on by the plaintiff must now be read with the Carbice and Leitch cases in mind.*"

In both the *Carbice* and the *Leitch* cases the defendants were charged with contributory infringement of the patents in those suits by reason of their sale of unpatented materials for use by the purchasers in infringing the patented inventions. This Court in both of said cases reversed the judgments of the lower courts that the defendants had been guilty of contributory infringement.

There is obviously no more effective way to monopolize an unpatented part or device than to sue as contributory infringers competitors who supply such unpatented materials.

Irrespective of whether a patent owner cannot maintain a suit because of endeavors to extend its monopoly to include unpatented parts, by express or implied licenses, or by notices to the trade, or by requiring the purchase from it of the unpatented materials for use in practicing the patented invention, the competitor who supplies such unpatented parts should not be held a contributory infringer of the patent.

Respondents Have Violated Anti-Trust Laws.

The respondents have used the Cross patent to prevent competition in the manufacture and sale of unpatented thermostatic controls, and therefore have violated the Anti-Trust laws (Clayton Act, Sec. 3; 15 U. S. C. A. Sec. 14).

Respondent, Minneapolis-Honeywell, in its catalogue of March 30, 1933 (R. 595), after listing some two hundred and fifty patents, notified the public regarding five System patents, including the Cross patent in suit No. 1,758,146, as follows:

> **"The right to use the Systems protected by the following patents is only granted to the user by Minneapolis-Honeywell Regulator Company when the particular controls as shown below are purchased from Minneapolis-Honeywell Regulator Company and used in the Systems."**

The same notice was given by respondent, Minneapolis-Honeywell, in its 1940 catalogue (R. 598), after listing some five hundred and fifty patents, regarding the same six System patents including the Cross patent in suit.

In February, 1932, respondent, Minneapolis-Honeywell, sent letters to the trade (R. 649) containing the following statements regarding the Cross patents:

> "These patents do not cover individual controls as such, but rather, the system or method of preventing the extinguishment of the fire."
>
> • • • • •
>
> "Because these patents cover a system involving the controls and the stoker and not the controls alone, we have worked out a special p[illegible] whereby a license under these patents can be granted by us to the purchaser. Each of the special stoker controls, namely the 'Stokerswitch' and 'Holdfire Control,' will carry on its nameplate the following legend.
>
> "'This Stokerswitch and or Holdfire Control carries with it a license to use the system of preventing extinguishment of the fire when operating under low heat requirement conditions as covered by patent No. 1,758,146 and or 1,758,147.'
>
> "*This will be notice to the purchaser that, through the inclusion of one of these units, the entire stoker installation is licensed under one of the above named patents. We will be glad to give you any further information in regard hereto which you may wish.*"

In September, 1932, respondent, Mid-Continent, sent a letter to the trade (R. 647) regarding the Cross patent in suit, containing the following statements:

> "*Any method of using automatic control instruments for preventing extinguishment of fire*, if such control is 'actuated by a pre-determined minimum temperature for said combustion space for preventing extinguishment of the fire when operating under low heat requirement conditions,' *would come within the scope of this patent.*

> "*The sale* of a stoker together with such an instrument or the sale of *the instrument alone* for use in the dual control of the stoker operation *constitutes infringement of these patents. We therefore suggest that in the purchase of your control instruments you ascertain if you are also purchasing rights under the above named patents, so that you will be fully protected in this matter.*"

On June 2, 1934, respondent, Mid-Continent, wrote to Fairbanks, Morse & Co. (R. 659) as follows:

> "*It has recently been called to our attention that you are purchasing controls for the purpose of maintaining pre-determined minimum fire-box temperature in connection with stoker fired furnaces from a Company not licensed by us to sell controls for this purpose.*
>
> "*We wish to make this a formal notification to you that we consider the sale and use of controls for this purpose an infringement of Cross Patent number* 1758146."

The exclusive license granted by respondent, Mid-Continent, to respondent, Minneapolis-Honeywell, the license granted by respondent, Minneapolis-Honeywell, to Detroit Lubricator Company, and the institution of this suit against petitioner, a competitor of respondents in manufacturing and selling an unpatented thermostatic control, all conclusively evinces a studied and persistently followed plan by respondents "to substantially lessen competition or tend to create monopoly in any line of commerce" (Sec. 3, Clayton Act).

That the acts of respondents violate the Anti-Trust laws is supported by the following authorities:

This Court in 1922 in *United Shoe Machinery Corp.* v. *U. S.*, 258 U. S. 451, held that a contract, which provided that the lessee should purchase supplies exclusively from the lessor, violated the Anti-Trust laws.

This Court in the *Carbice* case, 283 U. S. 27, 34, in support of its statement that:

> "The present attempt is analogous to the use of a patent as an instrument for restraining commerce which was condemned, under the Sherman Anti-Trust Law, in *Standard Sanitary Mfg. Co.* v. *United States*, 226 U. S. 20,"

inserted the following note:

> "In such cases, the attempt to use the patent unreasonably to restrain commerce is not only beyond the scope of the grant, but also a direct violation of the Anti-Trust Acts. Compare § 3 of the Clayton Act, October 15, 1914, c. 323, 38 Stat. 730, 731, which prohibits any lease, sale, contract, or agreement tending to create a monopoly in any line of commerce, and is applicable to all 'goods, wares, merchandise, machinery, supplies or other commodities, whether patented or unpatented. * * *' See *United Shoe Mach. Co.* v. *United States*, 258 U. S. 451, 460; *Lord* v. *Radio Corp. of America*, 24 F. (2d) 565, 566-67, affirmed, 28 F. (2d) 257, certiorari denied, 278 U. S. 648, decree entered, 35 F. (2d) 962, affirmed, 47 F. (2d) 606. Compare, as to trade secrets, *Dr. Miles Medical Co.* v. *Park & Sons Co.*, 220 U. S. 373, 401."

This Court in its recent decision in *Ethyl Gasoline Corp.* v. *U. S.*, 309 U. S. 436, 456, in holding violation of the Anti-Trust Acts, said regarding a patentee:

> "He may not, by virtue of his patent, condition his license so as to tie to the use of the patented device or process the use of other devices, processes or materials which lie outside of the monopoly of the patent licensed; *Motion Picture Patents Co.* v. *Universal Film Mfg. Co., supra; Carbice Corporation* v. *American Patents Corp.*, 283 U. S. 27, 31; *Leitch Manufacturing Co.* v. *Barber Co.*, 302 U. S. 458; cf. *United Shoe Machinery Co.* v. *United States*, 258 U. S. 451, 462; *International Business Machines Corp.* v. *United States*, 298 U. S. 131, 140; * * *"

The holding of the Circuit Court of Appeals in the case at bar that the respondents have not violated the Anti-Trust laws is in direct conflict with the judgment of the Court of Appeals for the Third Circuit in *Radio Corporation of America* v. *Lord*, 28 F. (2d) 257, certiorari denied 278 U. S. 648, in which Lord *et al.* alleged that the R.C.A. had violated U. S. C., Title 15, Paragraphs 1, 2 and 14, by granting licenses to make and use its radio receiving sets only when vacuum tubes were purchased from R.C.A. The Court of Appeals affirmed the findings of the District Court that the effect of the license was to substantially lessen competition and tend to create a monopoly in violation of the Anti-Trust laws.

This Court in *Morton Salt Co.* v. *Suppiger*, 314 U. S. 488, 490, said:

> "The Clayton Act authorizes those injured by violations tending to monopoly to maintain suit for treble damages and for an injunction in appropriate cases. 15 U. S. C. §§ 1, 2, 14, 15, 26."

Petitioner in its counterclaim asserted that respondents had conspired to violate the Anti-Trust laws, and in so doing had damaged petitioner, and it therefore was entitled to the recovery of damages pursuant to the following provision of the Clayton Act:

> "Sec. 4. That any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee."

The evidence proves that the respondents wrote to customers, and prospective customers of petitioner, and to

petitioner, in effect threatening them with suits for infringement of the Cross patent if they bought thermostatic controls for use in the Cross patented domestic heating system from any other company than respondent, Minneapolis-Honeywell (R. 647, 656, 657, 659).

As the result of the respondents' notices in catalogues and in letters to the trade to the effect that thermostatic switches for use in the domestic heating system of the Cross patent must be purchased from Minneapolis-Honeywell, and if purchased from competitors would infringe the Cross patent, numerous customers of petitioner were apprehensive to continue to buy from petitioner, as evinced by the following letters:

The Brownell Company on March 3, 1932, wrote petitioner:

> "We notice copy of your Patent Warranty and while it no doubt covers the situation, nevertheless, if the plain sheet of paper upon which it is written should become detached from your letter in our file, it would be rather difficult to locate same. We would, therefore, kindly ask you to write us again on this matter and embody this Patent Warranty in your letter.
>
> "We would again refer to the matter of using your M-51 control in stack and will ask that you advise us if we are fully protected when using this particular control in this manner.
>
> "We are enclosing herewith copy of letter received from Minneapolis-Honeywell Regulator Co. under date of Feb. 23 in accordance with your request." (R. 642.)

On February 29, 1932, The Will-Burt Company wrote petitioner as follows:

> "We are enclosing you copy of letter received under date of February 25th from the Minneapolis-Honeywell Regulator Company.

"According to this letter, they seem to feel that they control the situation covering the low-temperature stack control.

"We wish you would give us some further information regarding it and your recommendations to us as to whether you think we ought to buy the stack controls from the Minneapolis-Honeywell people for the time being, or do you feel that these patents can be proven invalid as suggested in your letter of June 4, 1931." (R. 648.)

On June 14, 1932, Combustioneer, Inc., wrote petitioner a letter containing the following statement:

"A few months ago we received a communication from the Minneapolis Honeywell Company informing us of their patent rights covering the hold fire controls. These you no doubt know were certain claims as established by the Cross patents. Their letter to us was simply informing us of these patent rights, and cautioning us against the use of controls that might infringe. Following that, we have asked protection from infringement suits wherever we are purchasing equipment, and I am sure that you will agree with us that this is highly proper and necessary. To that end, please find attached a form of guarantee against such suits or liability on our part. We would be very pleased to have you include such a guarantee either on the form which we are sending you or a form of your own, equivalent in nature for our protection." (R. 653.)

The Bardes Stoker Works wrote petitioner on October 7th, 1932, stating:

"We have received a letter from Mid-Continent Investment Company calling our attention to patents 1,758,146 and 1,758,147. We have received from Minneapolis-Honeywell Regulator Company and Penn Electric Switch Company the early part of this year, letters stating we were protected.

"Have you any word for us along this line and must we buy from Minneapolis-Honeywell or Penn Electric Switch Company rather than you?" (R. 655.)

On October 12, 1933, Paragon Kol-Master Corporation wrote petitioner the following letter:

"Will you advise us whether we will have your protection against any patent infringements in the use of your stack control?

"We have been advised that users of controls coming under the Cross patent are to be sued for infringement.

"Before we can purchase further stack controls from your Company, we would like to have your advice on this subject." (R. 656.)

Fairbanks, Morse & Co., on June 5, 1934, wrote petitioner as follows:

"Attached is a copy of a letter recently received from the Mid-Continent Investment Company. It is self-explanatory. We wish to have a commitment from your company regarding this matter, together with satisfactory evidence of protection against any possible action or annoyance from possible patent litigation." (R. 658.)

Mr. Owens, executive vice-president of petitioner, in his testimony stated:

"Q. What was the effect of those letters they received?

"A. When they received the letters back in February, 1932, they did stop buying our controls, and later that year I had occasion to go over there. I had known the officers of the company for a good many years. I had done business with them when I had had a previous connection. It took a lot of hard fighting, promising, and it was about as tough a battle as I ever had to get an order, to get them back in line, to continue to use Mercoid controls." (R. 349.)

While respondents had the legal right to notify installers of heating systems of infringement of the Cross patent, they were not content to do so but sought through their notices to monopolize the manufacture and sale of unpatented thermostatic switches, which they lawfully could not do, and in their endeavor to do so damaged petitioner.

It was necessary for the petitioner in order to avoid loss of business, to agree to indemnify customers if they were sued for the infringement of the Cross patent (R. 644). The evidence shows (R. 663) that during the period that respondents threatened petitioner's customers with suit for infringement of the Cross patent, petitioner's business in manufacturing and selling thermostatic controls for use as combustion switches did not increase in accordance with the great increase in the use of coal stokers (R. 352).

It is submitted on behalf of petitioner that it is clear from the evidence that petitioner was damaged by the acts of respondents in violation of the Anti-Trust laws, and that an accounting should have been ordered to determine the damages which petitioner is entitled to recover from respondents. The fact that the exact amount of such damages may not be mathematically determined should not deprive petitioner of the opportunity to make proof of facts from which the amount of damages due it could be reasonably determined (*Story Parchment Co. v. Peterson*, 282 U. S. 555).

Invalidity of Cross Patent.

Respondent, Mid-Continent, on August 12, 1935 instituted suit for infringement of the Cross patent against E. O. Smith, who had installed in his home in Kansas City a heating system comprising as the stoker switch a thermostatic control made by petitioner, Mercoid. Mercoid, in fulfillment of its obligation to customers, defended the Smith suit but did not intervene as a party defendant. The District Court held the Cross patent valid and infringed,

and was affirmed on September 12, 1939 by the Court of Appeals for the Eighth Circuit, by a divided court (106 F. 2d 622). Judge Woodrough in dissenting said:

> "I have been unable to find any invention in the patent sued on in this case. * * * there is no contention under the patent sued on that the patentee invented any of the mechanisms, devices or appliances that make up the defendant's accused heating plant. * * *
>
> "*The most the patentee in this case can say is that he first conceived and applied the idea of using the thermostat to turn the stoker on just before the fire in the furnace gets too low.* * * *
>
> "The vendors of the thermostat have long advertised to the public that their thermostats may be placed practically anywhere to perform their well known function at any pre-determined temperature. Certainly it is common knowledge that when a mass of live coals ceases to throw out heat the fire is going out. It seems equally obvious that a thermometer placed near it will approximately reflect the condition of the fire. *The patentee's suggestion to get a thermostat at the handiest store and place it in relation to the fire so as to activate the stoker at some proper low state of the fire seems to me to have no semblance of invention.* It simply repeats the teachings of the thermostat advertisements which fully explain that the devices can be used wherever electric current is to be turned on or off at pre-determined changing temperatures." (106 F. 2d 631, 632)

Although respondent, Minneapolis-Honeywell, prior to the institution of the Smith suit was the exclusive licensee under the Cross patent, it did not unite with respondent, Mid-Continent, as a party plaintiff. It therefore cannot claim the benefit of the judgment, as it was unwilling to be bound thereby. The Circuit Court of Appeals in the instant case correctly held (R. 922):

"Mid-Continent further contends that the case of *Mid-Continent* v. *Smith, supra*, is *res adjudicata* as to all questions which were there decided or which might have been put in issue and decided in that case. *Honeywell does not and cannot present that issue here because it was not a party to that action, nor was it in any way connected with that case.*"

Mercoid, so far as Minneapolis-Honeywell is concerned, consequently is not precluded by its defense in the *Smith* suit from asserting the invalidity of the Cross patent.

While Mercoid in its amendment to its Answer, after respondent, Minneapolis-Honeywell, was made a party plaintiff, admitted (R. 44) that the Cross patent "was duly and legally issued to Walter M. Cross," this Court is not thereby precluded from considering the question of validity of the Cross patent.

This Court in *Hill* v. *Wooster*, 132 U. S. 693, 698, held that the Federal courts cannot overlook the question of patentability even when acquiesced in by the parties. This Court said:

> "The parties to the present suit appear to have been willing to ignore the question as to patentability in the present case, and to have litigated merely the question of priority of invention, on the assumption that the invention was patentable. But neither the Circuit Court nor this court can overlook the question of patentability."

The Court of Appeals for the Seventh Circuit in *Allbright-Nell Co.* v. *Autosteam*, 70 F. 2d 959, 961, 962, upon the authority of *Hill* v. *Wooster*, held:

> "Patentability may not be established upon the mere agreement of parties, for it must be based upon invention, and that requirement cannot be overlooked by either the trial or the appellate court. *Hill* v. *Wooster*,

132 U. S. 693, 10 S. Ct. 228, 33 L. Ed. 502; *Palmer Pneumatic Tire Company* v. *Lozier* (C. C. A.) 90 F. 732."

* * * * * * *

"Of course if the trial court at the time of entering the decree had been convinced that there was a lack of patentable subject matter, as was the case in *Hill* v. *Wooster*, *supra;* or that in view of the prior state of the art appearing from the record there was no novelty, as in the case of *Leslie* v. *Tracy* (C. C.), 100 F. 475, it would have been the duty of the court to so state, and to dismiss the counter-claim, regardless of the admissions of the parties."

The Court of Appeals for the Second Circuit, speaking through Judge Learned Hand, in its recent decision in *Sinko Tool & Mfg. Co.* v. *Automatic Devices Corp.*, 136 Fed. 2nd 186, 190, stated the law as follows:

"* * * The judgment of a court is however conclusive only in the same way; it decides nothing save as it prevents the parties from reopening the dispute again, when only their interests are at stake."

So far as concerns respondent, Mid-Continent, the decree in the *Smith* case is binding upon petitioner, Mercoid, as to the validity of the Cross patent, but not upon the public.

Respondent Mid-Continent in its complaint prays for an accounting (R. 4) by petitioner for its alleged infringement of the Cross patent, and petitioner in defending against such an accounting may assert the invalidity of the Cross patent even though estopped to do so by the judgment in the *Smith* case. In *Sola Electric Co.* v. *Jefferson Co.*, 317 U. S. 173, this Court held that a defendant in a suit for an accounting as licensee under a patent, although estopped from attacking the validity of its licensor's patent, nevertheless could assert its invalidity on the

ground that the licensor was unlawfully using its patent. It therefore is within the principle of said decision that petitioner, even though estopped so far as concerns respondent, Mid-Continent, to question the validity of the Cross patent, nevertheless may assert its invalidity in support of its defense against an accounting for its alleged infringement.

As there is no fact issue as to the disclosures of the prior art patents, the question whether Cross made an invention is one of law and not of fact.

This Court in *Market Street Ry. Co.* v. *Rowley*, 155 U. S. 621, 625, stated the law as follows:

> "The defendant put in evidence a number of patents prior in date to the plaintiff's, and asked the court to compare the inventions and devices therein described with those claimed by the plaintiff. No extrinsic evidence was given or needed to explain terms of art, or to apply the descriptions to the subject-matter, so that the court was able, from mere comparison, to say what was the invention described in each, and to affirm from such mere comparison whether the inventions were or were not the same. The question was, then, one of pure construction and not of evidence, and consequently was matter of law for the court, without any auxiliary fact to be passed upon by the jury.
>
> "If, upon the state of the art as shown to exist by the prior patents, and upon a comparison of the older devices with those described in the patent in suit, it should appear that the patented claims are not novel, it becomes the duty of the court to so instruct the jury."

The Circuit Court of Appeals in the instant case, in view of the judgment in the *Smith* case, held that it was not concerned with the validity of the Cross patent unless the protection of the public interests demanded. The Court said:

"Of course, McCabe's disclosures and the prior uses might be suggestive of the Cross disclosure to such an extent that one might consider the Cross disclosure as nothing more than mechanical skill, but again, that would involve validity with which we are not here concerned, unless the protection of public interest demands it. We are convinced that such protection is not warranted here." (R. 918.)

In recognizing that the court will consider the question of validity if it regards it necessary to do so in order to protect the public interests, in *Muncie Gear Works* v. *Outboard, Marine & Mfg. Co.*, 315 U. S. 759, 768, this Court said:

"We think the conclusion is inescapable that there was public use, or sale, of devices embodying the asserted invention, more than two years before it was first presented to the Patent Office. We are not foreclosed from a decision under § 4886 on the point by the obscurity of its presentation in the courts below. This issue has been fully presented to this Court by the petition for a writ of certiorari, and in subsequent briefs and argument; and there is not the slightest indication that respondents have been prejudiced by such obscurity. To sustain the claims in question upon the established and admitted facts would require a plain disregard of the public interest sought to be safeguarded by the patent statutes, and so frequently present but so seldom adequately represented in patent litigation."

As far back as the October term 1880, this Court stated in *Densmore* v. *Scofield*, 102 U. S. 375, 378:

"But, irrespective of this testimony, and of any testimony, upon looking this reissue in the face, and examining its several claims by their own light, we find nothing that brings any of them within the sphere of what is properly patentable. * * * It does not appear (to use the language of appellants' brief) that there

was 'a flash of thought' by which such a result as to either was reached, or that there was any exercise of the inventive faculty, more or less thoughtful, whereby anything entitled to the protection of a patent was produced. • • •

"Patentees as a class are public benefactors, and their rights should be protected. But the public has rights also. The rights of both should be upheld and enforced by an equally firm hand, whenever they come under judicial consideration."

In *Haughey* v. *Lee*, 151 U. S. 282, 285, this Court again recognized the duty of the courts to protect the interests of the public in patent suits as follows:

"Besides, the defence of want of patentable invention in a patent operates not merely to exonerate the defendant, but to relieve the public from an asserted monopoly, and the court cannot be prevented from so declaring by the fact that the defendant had ineffectually sought to secure the monopoly for himself."

To the same effect is the more recent decision of this Court in *Paramount Publix Corp.* v. *American Tri-Ergon Corp.*, 294 U. S. 464, from which the following statement is quoted:

"However inconsistent this early attempt to procure a patent may be with petitioner's present contention of its invalidity for want of invention, this Court has long recognized that such inconsistency affords no basis for an estoppel, *nor precludes the court from relieving the alleged infringer and the public from the asserted monopoly when there is no invention.*"

The validity of the Cross patent is of interest to thousands of people who have installed in their homes an automatic heating system employing thermostatic controls and an electrically operated fuel feeding means, including a thermostatic control for preventing the fire from going out.

who would all be subject to suits for direct infringement if the judgment of the lower courts stands that the Cross patent is valid.

It is well known that threats of suits often induce alleged infringers of patents to accept licenses on onerous terms rather than engage in expensive litigation. The public should not have added to the expense of installing heating systems the burden of paying tribute to a patent which covers nothing more than what is available to the public by the mere exercise of mechanical skill.

Under existing patent statutes, a patent cannot be declared void except by a suit by the Government based upon fraud, and no suit can be prosecuted on behalf of the public generally to have a patent declared invalid. It is urged that in the interests of the public, this Court should determine whether the Cross patent is valid.

CONCLUSION.

It is submitted on behalf of petitioner, Mercoid, that respondents have used the Cross patent to monopolize an unpatented device and therefore cannot maintain this suit; that the petitioner, having merely made and sold an unpatented thermostatic switch for use by purchasers in installing the patented domestic heating system, cannot be held a contributory infringer of the Cross patent; that the respondents have conspired to substantially lessen competition and create a monopoly in violation of the Anti-Trust laws; that the petitioner has been damaged by respondents' unlawful acts and is entitled to an accounting (Title 15, U. S. C. Sec. 15); that in the interests of the public this Court should determine the question of validity of the Cross patent; and that the judgment of the Court of Appeals for the Seventh Circuit therefore should be reversed.

Respectfully,

GEO. L. WILKINSON,
Counsel for Petitioner,
The Mercoid Corporation.

Chicago, Illinois,
September 24th, 1943.